

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD
TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD
TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

TABLE OF CONTENTS

	Page
Management's Discussion and Analysis	1-3
Independent Auditors' Report	4-5
Basic Financial Statements:	
Governmental Wide Financial Statements:	
Statements of Net Position	6
Statements of Activities	7
Fund Financial Statements:	
Balance Sheets	8
Reconciliation of Governmental Fund Balance to Net Position of Governmental Activities	9
Statements of Revenues and Expenditures and Changes in Fund Balance	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Notes to Financial Statements	12-15
Required Supplementary Information:	
Schedule of Revenues and Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual	17
Notes to Required Supplementary Information	18
Other Supplementary Information:	
Schedule of Account with County Treasurer	20
Schedule of Investments	21
Schedule of Insurance Coverage	22
Schedule of Valuations, Rates, Extensions, Collections and Net Taxes Receivable	23
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25

**CITY OF LINCOLN/LANCASTER COUNTY RAILROAD
TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Lincoln/Lancaster County Railroad Transportation Safety District's (the District's) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS (BUDGETARY BASIS)

The District's budgetary fund balance decreased \$6,462,246, the amount that expenditures exceeded receipts for the year.

The District's administrative costs decreased \$30,364, grade crossing and project construction expenditures increased \$8,735,898.

Tax revenue amounting to \$3,256,939 for the year decreased \$1,699,055 due to a decrease in the levy rate.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statements of Net Position and the Statements of Activities (on pages 5 and 6) provide information about the activities of the District as a whole and present a longer-term view of the District's finances.

Fund financial statements start on page 7. These statements tell how these services were financed in the short term as well as what remains for future spending. These statements include all assets and liabilities using the modified accrual basis of accounting, taking into account all of the District's current year revenues and expenditures regardless of when paid or received. By showing the change in fund balance for the year, the reader may ascertain whether the District's financial condition has improved or deteriorated.

The changes which are discussed in the Management's Discussion and Analysis may be financial or non-financial in nature. Non-financial factors which may have an impact on the District include changes in the District's property tax base and condition of the District's railroad crossings and intersections.

FINANCIAL ANALYSIS

Net position of the District at June 30, 2013 and 2012, reflect assets over liabilities, and consist of:

	<u>2013</u>	<u>2012</u>
Current assets	\$ 11,431,995	\$ 19,246,089
Current liabilities	<u>233,270</u>	<u>355,375</u>
Net Position	<u>\$ 11,198,725</u>	<u>\$ 18,890,714</u>

Net position of the District decreased \$7,691,989 primarily due to the timing of project construction and grade crossing protection expenditures being deferred to future periods.

Changes in net position for the years ended June 30, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Revenues:		
Property taxes	\$ 1,915,439	\$ 4,640,418
Investment income	74,335	80,496
Reimbursements	-	144,100
Other taxes	133,943	324,269
Total revenues	<u>2,123,717</u>	<u>5,189,283</u>
Expenses:		
Administrative	130,463	157,185
Project costs	9,685,243	1,181,363
Total expenses	<u>9,815,706</u>	<u>1,338,548</u>
Excess of revenues over expenses	(7,691,989)	3,850,735
Net Position, July 1,	<u>18,890,714</u>	<u>15,039,979</u>
Net Position, June 30,	<u>\$ 11,198,725</u>	<u>\$ 18,890,714</u>

Project costs for the year ended June 30, 2013 and 2012, include the following:

	<u>2013</u>	<u>2012</u>
Southwest 40th	\$ 8,656,243	\$ 716,861
Quiet Zone - Waverly	450,415	209,446
West Haymarket	300,000	-
Quiet Zone - 14th & Yankee Hill	130,532	118,159
Quiet Zone - South Salt Creek	37,664	78,505
Quiet Zone - Hickman Study	33,219	26,600
Miscellaneous engineering	4,031	11,378
Quiet Zone - 33rd & 70th	-	8,080
Grade crossings	73,139	12,334
	<u>\$ 9,685,243</u>	<u>\$ 1,181,363</u>

BUDGETARY HIGHLIGHTS

Project expenditures were below budgeted costs by \$9,200,747 due to projects being budgeted for or delayed to future periods.

CAPITAL ASSET AND DEBT ADMINISTRATION

The District does not invest or retain any capital assets. The project costs are on behalf of Lancaster County and the City of Lincoln, and are accounted for on their respective financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District officials consider many factors when setting the fiscal year 2013-2014 budget and tax rates. One of those factors is the levy limitations on the District. Since the State of Nebraska legislative bill LB1306 limits the District's tax request to \$.026 per \$100 of property valuation, increased property tax revenue is dependent on increase in assessed property valuation. The District's budgeted expenditures are limited to cash resources available plus current year property tax revenue.

The District's levy rate approved by the Lancaster County Commissioners for 2012-2013 was \$0.010 per \$100 of assessed property valuation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Engineering Services, Public Works and Utilities (acting District administrator), 901 West Bond Street, Suite 100, Lincoln, Nebraska, 68521.

INDEPENDENT AUDITORS' REPORT

Board of Directors
City of Lincoln/Lancaster County Railroad
Transportation Safety District
Lincoln, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activity and each major fund of the City of Lincoln/Lancaster County Railroad Transportation Safety District (the District), as of June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity and each major fund of the City of Lincoln/Lancaster County Railroad Transportation Safety District as of June 30, 2013 and 2012, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual on pages 1 through 3 and 17, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basis financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Meek & Crouch, P.C.

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD
TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets:		
Cash	\$ 2,712,450	\$ 9,130,979
Cash on deposit - County treasurer	32,256	94,573
Property taxes receivable	836,048	2,043,605
Due from Lancaster County	-	144,100
Interest receivable	8,704	8,895
Investments - Certificates of deposit	<u>7,842,537</u>	<u>7,823,937</u>
Total assets	<u>11,431,995</u>	<u>19,246,089</u>
Liabilities:		
Accounts payable	232,724	8,462
Due to City of Lincoln	<u>546</u>	<u>346,913</u>
Total liabilities	<u>233,270</u>	<u>355,375</u>
Net Position:		
Unrestricted	<u>\$ 11,198,725</u>	<u>\$ 18,890,714</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD
TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Primary Government:		
Expenses:		
Administration services	\$ 51,352	\$ 45,291
Office supplies and expense	453	614
Audit and budget	8,400	8,300
Legal	3,095	4,652
Other contractual services	-	1,527
Insurance	500	500
Education	315	270
Bank charges	1,154	1,394
Travel	2,742	1,622
Meals	149	132
County Treasurer Commission	62,303	92,883
Railroad crossing improvements	73,139	12,334
Construction projects	<u>9,612,104</u>	<u>1,169,029</u>
Total expenses	<u>9,815,706</u>	<u>1,338,548</u>
General revenues:		
Tax revenue	2,049,382	4,964,687
Refund from Lancaster County	-	144,100
Investment income	<u>74,335</u>	<u>80,496</u>
Total general revenues	<u>2,123,717</u>	<u>5,189,283</u>
Change in net position	(7,691,989)	3,850,735
Net Position, Beginning of Year	<u>18,890,714</u>	<u>15,039,979</u>
Net Position, End of Year	<u>\$ 11,198,725</u>	<u>\$ 18,890,714</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD
TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

BALANCE SHEETS
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 2,712,450	\$ 9,130,979
Cash on Deposit - County Treasurer	32,256	94,573
Property Taxes Receivable	836,048	2,043,605
Due from Lancaster County	-	144,100
Interest Receivable	8,704	8,895
Investments	<u>7,842,537</u>	<u>7,823,937</u>
Total assets	<u>\$ 11,431,995</u>	<u>\$ 19,246,089</u>

LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 232,724	\$ 8,462
Due to City of Lincoln	546	346,913
Deferred taxes	<u>89,844</u>	<u>208,914</u>
Total liabilities	323,114	564,289
Fund Balance - Unassigned	<u>11,108,881</u>	<u>18,681,800</u>
Total liabilities and fund balance	<u>\$ 11,431,995</u>	<u>\$ 19,246,089</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD
TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET
POSITION OF GOVERNMENTAL ACTIVITIES
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Total Governmental Fund Balance	\$ 11,108,881	\$ 18,681,800
Amounts reported for governmental activities in the statement of activities are different because:		
Some of the District's taxes will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds	<u>89,844</u>	<u>208,914</u>
Net Position of Governmental Activities	<u>\$ 11,198,725</u>	<u>\$ 18,890,714</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD
TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

STATEMENTS OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues:		
Tax revenue	\$ 2,168,452	\$ 4,966,551
Refund from Lancaster County	-	144,100
Investment income	<u>74,335</u>	<u>80,496</u>
Total revenues	<u>2,242,787</u>	<u>5,191,147</u>
Expenditures:		
Administration services	51,352	45,291
Office supplies and expense	453	614
Audit and budget	8,400	8,300
Legal	3,095	4,652
Other contractual services	-	1,527
Insurance	500	500
Education	315	270
Bank charges	1,154	1,394
Travel	2,742	1,622
Meals	149	132
County Treasurer Commission	62,303	92,883
Grade crossing protection	73,139	12,334
Construction projects	<u>9,612,104</u>	<u>1,169,029</u>
Total expenditures	<u>9,815,706</u>	<u>1,338,548</u>
Excess of revenues over expenditures	(7,572,919)	3,852,599
Fund Balance, Beginning of Year	<u>18,681,800</u>	<u>14,829,201</u>
Fund Balance, End of Year	<u>\$ 11,108,881</u>	<u>\$ 18,681,800</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD
TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Net Change in Governmental Fund Balance	\$ (7,572,919)	\$ 3,852,599
Amounts reported for governmental activities in the statement of activities are different because:		
Some of the District's taxes will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds	<u>(119,070)</u>	<u>(1,864)</u>
Change in Net Position of Government Activities	<u>\$ (7,691,989)</u>	<u>\$ 3,850,735</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012

Note 1 - Summary of Significant Accounting Policies:

- a) Organization: The City of Lincoln/Lancaster County Railroad Transportation Safety District (the District) was formed on May 30, 1971, by the State of Nebraska, per legislative bill 919, for the purpose of inaugurating, developing and negotiating for programs which may involve the constructing, reconstructing, leasing, maintaining, or selling of work or works of public transportation improvement relating to railroads, conducive to the public health, safety, convenience or welfare in a county in which is located a city of primary class.

The District coordinates these public transportation improvements between the City of Lincoln and the County of Lancaster, but is an entity distinctly separate from both. Although board members and directors concurrently share their positions with that of the City and County, the District has the authority to levy taxes, issue bonds, and enter into contracts on its own.

- b) Government-Wide and Fund Financial Statements: The government-wide financial statements (i.e. the statement of net position and statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues. There were no program revenues for the years ended June 30, 2013 and 2012.

- c) Measurement focus, basis of accounting, and financial statement presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the general fund liability is incurred. The District reports deferred revenue on its balance sheet. Deferred revenues arise when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period, such as uncollected property taxes from prior years' assessment. In subsequent years, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 For the Years Ended June 30, 2013 and 2012

Note 1 - Summary of Significant Accounting Policies (Continued):

- d) Fund Accounting: The accounts of the District are maintained on the basis of fund accounting for its only fund type, the general fund. The general fund is the operating fund of the District, which accounts for all financial resources of the District. There are no general fixed assets as they are supplied through the interlocal contract administration agreement with the City of Lincoln, Nebraska.
- e) Revenue – Exchange Transactions: Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.
- f) Expenses and Expenditures: On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.
- g) Cash and investments are stated at cost, which approximates market. At June 30, 2013 and 2012, the District's cash accounts amounted to \$2,712,450 and \$9,130,979, respectively, and its bank balances amounted to \$2,735,738 and \$9,163,345, respectively.

The June 30, 2013 and 2012, bank balances exposed to custodial risk were collateralized by securities held by the pledging financial institution in the amount of \$2,692,346 and \$7,012,345, respectively.

Statutes authorize the District to invest in certificates of deposit, savings accounts, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Investments of \$7,842,537 and \$7,823,937 at June 30, 2013 and 2012, respectively, were invested in certificates of deposit and federal agency obligations in various financial institutions located in the District.

The District's investments consist of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Certificates of Deposit	\$ 4,842,537	\$ 2,600,000
Certificate of Deposit Accounts Registry Service	<u>3,000,000</u>	<u>5,223,937</u>
	<u>\$ 7,842,537</u>	<u>\$ 7,823,937</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 For the Years Ended June 30, 2013 and 2012

Note 1 - Summary of Significant Accounting Policies (Continued):

The District's investments that are exposed to custodial risk are categorized to give an indication of the level of risk assumed by the District at fiscal year-end. The categories are described as follows:

Category 1 – Collateralized by securities held by the pledging financial institution.

Category 2 – Uncollateralized.

Investments exposed to custodial risk as of June 30, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Category 1	\$ 4,002,220	\$ 1,900,000
Category 2	<u>140,317</u>	<u>-</u>
	<u>\$ 4,142,537</u>	<u>\$ 1,900,000</u>

The following institutions held 5 percent or more of investments exposed to credit risk as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
American National Bank	\$ 1,450,000	\$ 1,450,000
Union Bank and Trust Company	<u>2,692,537</u>	<u>450,000</u>
	<u>\$ 4,142,537</u>	<u>\$ 1,900,000</u>

- h) Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.
- i) The use of estimates are required to present the financial statements in conformity with accounting principles generally accepted in the United States of America.
- j) The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. During the year ended June 30, 2013, the District did not reduce insurance coverages from coverage levels in place as of June 30, 2012. No settlements have exceeded coverage levels in place during 2013 and 2012.
- k) The District has evaluated subsequent events through August 30, 2013, which is the date the financial statements were issued.
- l) Budgets and budgetary accounting: The District follows these procedures in establishing the budgetary data reflected in the financial statements: the Board proposes an operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means to finance them. Public hearings are conducted to obtain taxpayer comments. Prior to September 20th, the budget is legally enacted through passage of an ordinance. The budget is prepared on the cash basis, which is the statutory method required by the State of Nebraska. This cash basis is not in accordance with accounting principles generally accepted in the United States of America.

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD
TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2013 and 2012

Note 2 - Fund Balance:

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. As of June 30, 2013 and 2012, the fund balance was unassigned, meaning, no constraints were imposed upon the resources.

Note 3 - Interlocal Contract Administration Agreement:

In accordance with an interlocal agreement with the City of Lincoln, the City provides administrative services and shared location to the District on an annual basis. Remuneration is based upon 25% of the City of Lincoln engineer's compensation, including social security expense and fringe benefits, and reimbursement to the City the cost of salary and fringe benefits for clerical services for the District.

The District also enters into various interlocal agreements with the City of Lincoln, Nebraska, Lancaster County, and municipalities within Lancaster County, to assist in the design, construction, maintenance, sale or lease of such works of the District, and other activities in furtherance of the objectives of the District.

Total payments to the City of Lincoln for the years ended June 30, 2013 and 2012, were \$8,879,596 and \$641,102, respectively.

Note 4 - Property Taxes:

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable in two installments on May 1st and September 1st. The County bills and collects property taxes and remits to the District monthly.

The tax rate to finance the District for the year ended June 30, 2013, was 0.01000 per \$100 of the 2012 assessed valuation of \$20,119,951,547.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD
TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

SCHEDULE OF REVENUES AND EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET
(NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Property taxes	\$ 1,972,544	\$ 3,122,996
Property tax credit	-	67,748
Homestead exemption	-	57,445
Motor vehicle prorata	14,000	6,905
Carline	-	1,315
In lieu of tax	2,000	530
Investment income	87,447	74,526
Refund from Lancaster County	-	144,100
Total revenues	<u>2,075,991</u>	<u>3,475,565</u>
Expenditures:		
Administrative:		
Administration services	49,700	49,607
Office supplies and expense	1,050	436
Audit and budget	10,000	8,400
Legal	6,000	3,095
Insurance	5,000	500
Education	-	315
Bank charges	-	1,214
Travel	4,500	1,524
Meals	-	58
County treasurer commission	-	62,303
Total administrative expenditures	<u>76,250</u>	<u>127,452</u>
District projects:		
Railroad crossing improvements	300,000	73,139
Construction projects	18,711,106	9,737,220
Total District projects expenditures	<u>19,011,106</u>	<u>9,810,359</u>
Total expenditures	<u>19,087,356</u>	<u>9,937,811</u>
Excess (deficiency) of revenues over expenditures	(17,011,365)	(6,462,246)
Fund Balance, Beginning (Non GAAP Budgeting Basis)	<u>17,049,490</u>	<u>17,049,489</u>
Fund Balance, Ending (Non GAAP Budgeting Basis)	<u>\$ 38,125</u>	10,587,243
Adjustments to Generally Accepted Accounting Principles:		
Revenue accruals		754,908
Expenditure accruals		<u>(233,270)</u>
Fund Balance, Ending (GAAP Basis)		<u>\$ 11,108,881</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

Note 1 - Budgets and Budgetary Accounting: The District follows these procedures in establishing the budgetary data reflected in the financial statements: The Board of Directors proposes an operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means to finance them. Public hearings are conducted to obtain taxpayer comments. Prior to September 20th, the budget is legally enacted through passage by the Board of Directors. Any revisions that alter the total expenditures of the District must be approved by public hearings.

The general fund budget is adopted on the modified cash basis of accounting, which is not in conformity with accounting principles generally accepted in the United States of America (GAAP). Adjustments have been made to adjust actual amounts to a modified cash basis for comparison.

Unused appropriations lapse at the end of the year.

The budget amounts shown in the financial statements are the final authorized amounts as of the beginning of the year.

Note 2 - Property Tax:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on April 1 and August 1. The County bills and collects property taxes and remits to the District as requested by the board of directors. District property tax revenues are recognized in the year they are levied.

Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

The tax rate is subject to County Board approval. The tax rate to finance the District for the year ended June 30, 2013, was .01 per \$100 upon the actual valuation of \$20,119,951,547.

Note 3 - District Projects:

The Schedule of Revenues and Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgeting Basis) and Actual reports actual project expenditures for District as being below budgeted project expenditures by \$9,200,748. This was the result of the construction projects being budgeted for or delayed to future periods.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD
TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

SCHEDULE OF ACCOUNT WITH COUNTY TREASURER
For the Year Ended June 30, 2013

Balance per County Treasurer's Records, Beginning of Year		\$	94,573
Add - Receipts:			
Real estate taxes	\$	3,122,996	
Property tax credit		67,748	
Homestead exemption		57,445	
Motor vehicle prorated		6,905	
Carline		1,315	
In lieu of tax		530	
		<u> </u>	<u>3,256,939</u>
Total to account for			3,351,512
Deduct - Disbursements:			
Transfers to District		3,256,953	
County treasurer commission		62,303	
		<u> </u>	<u>3,319,256</u>
Balance, per County Treasurer's Records, End of Year		\$	<u> 32,256</u>

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD
 TRANSPORTATION SAFETY DISTRICT
 Lincoln, Nebraska

SCHEDULE OF INVESTMENTS
 June 30, 2013

<u>Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Cost/ Market Value</u>
Heartland Bank:			
Certificate of Deposit	0.50	07-26-13	\$ 100,000
West Gate Bank:			
Certificate of Deposit	0.30	01-01-14	100,000
Union Bank and Trust Company:			
Certificate of Deposit	0.35	01-01-14	100,000
Certificate of Deposit	0.40	08-22-13	300,000
Certificate of Deposit	1.10	09-22-13	200,000
Certificate of Deposit	1.10	09-27-13	100,000
Certificate of Deposit	0.30	03-28-14	2,242,537
Certificate of Deposit (CDARS)	0.80	12-05-13	2,500,000
Certificate of Deposit (CDARS)	0.80	12-05-13	500,000
American National Bank:			
Certificate of Deposit	0.30	05-28-14	700,000
Certificate of Deposit	0.49	05-14-14	1,000,000
Total Investments			<u>\$ 7,842,537</u>

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD
TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

SCHEDULE OF INSURANCE COVERAGE
June 30, 2013

Insurance Coverage Data

General Liability	General	\$ 500,000 each occurrence 1,000,000 aggregate
	Rental	100,000 any one premises
	Medical	5,000 any one person
Public Employees Blanket Bond	-	500,000 aggregate

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD
 TRANSPORTATION SAFETY DISTRICT
 Lincoln, Nebraska

VALUATIONS, RATES, EXTENSIONS, COLLECTIONS AND NET TAXES RECEIVABLE
 June 30, 2013

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Valuations	\$ <u>20,119,951,547</u>	\$ <u>19,027,837,576</u>	\$ <u>18,799,468,423</u>	\$ <u>18,641,136,908</u>
Rates	<u>.010000</u>	<u>.026000</u>	<u>.026000</u>	<u>.026000</u>
Extensions	\$ 2,011,995	4,947,238	4,887,862	4,846,696
Collections	<u>1,182,879</u>	<u>4,943,789</u>	<u>4,886,594</u>	<u>4,844,481</u>
Net Taxes Receivable	\$ <u>829,116</u>	\$ <u>3,449</u>	\$ <u>1,268</u>	\$ <u>2,215</u>
Percent Taxes Receivable	<u>41%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>

Micek & Crouch, P.C.

Certified Public Accountants

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Fax: (402) 488-5525

Kurt L. Micek, C.P.A.
Janalee Crouch, C.P.A.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
City of Lincoln/Lancaster County Railroad
Transportation Safety District
Lincoln, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Lincoln/Lancaster County Railroad Transportation Safety District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* as follows:

Finding

As of June 30, 2013, certificates of deposit in a financial institution were uncollateralized in the amount of \$140,317.

District's Response to Finding

The District has since obtained the required collateral and will reevaluate such collateral as each certificate of deposit is reinvested.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Mick & Crouse, P.C.".